

**MINUTES OF THE
NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE
February 2, 2009
Room 415, State Capitol Building, State Capitol Complex**

MEMBERS PRESENT: Sen. Dennis Stowell, Co-Chair
Rep. Kerry W. Gibson, Co-Chair
Sen. Brent Goodfellow
Sen. David Hinkins
Rep. Roger Barrus
Rep. Jack Draxler
Rep. James R. Gowans
Rep. John G. Mathis
Rep. Michael E. Noel
Rep. Christine Watkins
Rep. Brad Winn

STAFF: Ivan Djambov, Fiscal Analyst
Linda Service, Committee Secretary

Note: A list of visitors and a copy of handouts are filed with the committee minutes.

Sen. Stowell called the meeting to order at 2:16 p.m.

MOTION: Rep. Gibson moved to approve the minutes of January 28, 2009. The minutes were approved unanimously.

Sen. Stowell distributed the handout, Subject: Mitt Romney on Budget Cutting. He recommended committee members review the publication and suggested they gain an understanding of the whole budget picture.

Ivan Djambov, Fiscal Analyst, presented the Budget Analysis FY 2010 binder. He mentioned the items under Tab 1: Calendar for the 2009 General Session, FY 2009 Budget Reductions, and Issue Brief: Questions for Budget Reviews. He reviewed the list of questions suggested to be used to better evaluate agencies' base budgets and requests for budget increase. The Analyst responded to budget concerns from committee members. He was requested to supply figures showing the overall impact of budget cuts on the Department.

Concerns were expressed regarding severance tax revenues and a bill sponsored by Sen. Valentine. Lee Peacock, Utah Petroleum Association, was invited to clarify the purpose of the bill.

Division of Water Resources: Analyst's Presentation

The Analyst discussed the Report on Prior Year Funding Increases, 2009 General Session, Line Item: Water Resources. He presented the chapter on Water Resources of the Compendium of Budget Information for the 2009 General Session. The Division has three loan funds administered by the Water Resources Board: the Revolving Construction Fund established in 1947, the Cities Water Loan Fund established in 1974, and the Conservation and Development Fund established in 1978. He noted the list of laws governing operations of the Division and

elaborated on UCA 63-38-8.1 dealing with nonlapsing Intent Language which helps to protect monies from being returned to funding sources and allows it to be carried forward to the next year. The Analyst reviewed charts showing sources of finance, programs, and categories of expenditure for each of the programs of the Division.

Division of Water Resources - Agency Presentation

Dennis Strong introduced Blair Francis, Chairman of the Board of Water Resources. Mr. Francis introduced members of the Board in attendance. He commented on the importance of foresight with regard to water projects and elaborated on the success of the Woodruff Narrows Reservoir.

Director Strong elaborated on the Revolving Construction Fund. The principal concept is that the monies are repaid by statute. Repayments of these funds return to the Board of Water Resources and are invested in other water projects in the state. He reviewed funding programs such as: Dam Safety Construction Projects, Municipal and Domestic Systems, Revolving Construction Fund, Cities Water Loan Fund, and Conservation and Development Fund. The Analyst responded to questions from committee members. Ivan Flint, Board of Directors, spoke to the importance of water projects. He specifically mentioned the success of the reconstruction of Smith and Morehouse Dam.

Division of Oil, Gas and Mining: Analyst Presentation

The Analyst presented the Compendium of Budget Information for the 2009 General, Line Item: Oil, Gas and Mining. The Division had no building blocks money to be spent in 2008 and no fee changes.

Division of Oil, Gas and Mining: Agency Presentation

John Baza, Director, Division of Oil, Gas and Mining, assisted by Paula Dupin-Zahn, Finance Manager, provided a handout. The mission of the Division is to regulate and ensure industry compliance and site restoration while facilitating oil, gas and mining activities. Customers include: private sector corporations and developers, public at large and specific to communities affected by mineral development, and consumers of energy and mineral products. The Division delivers benefits to the citizens of Utah through their efforts. Four areas of focus during the past year were to: (1) increase the value (and consumer benefit) of oil, gas, and mineral production - sales values of all mineral products in 2008 were \$9.3 billion; (2) reduce impacts through responsible development - the Division has programs to regulate minerals and coal and to reclaim abandon mines as an on-going effort to alleviate effects of these industries; (3) address the needs of customers - a Customer Satisfaction Survey shows an average 3.89% satisfaction rate; and (4) improve internal processes - electronic processes to meet customer needs have been implemented, along with addressing concerns of a 2007 Legislative Audit. The Director presented a brief overview of Budget Cuts for FY 2009. He stressed the importance of oil, gas and mining industries driving the economy of the state and responded to questions and concerns from committee members.

Utah Geological Survey: Agency Presentation

Rick Allis, Director, Utah Geological Survey (UGS), passed out three publications: Survey Notes, Putting Down Roots in Earthquake Country, and Utah Geological Survey. UGS provides timely, independent information and advice to state and local government, and to the general public, about Utah's resources, hazards and the geologic environment - the goal is to promote economic development and assist wise land use decisions. UGS has six technical programs - Energy and Minerals, Geologic Hazards, Geologic Mapping, State Energy Program, Ground Water and Paleontology, and Geologic Information and Outreach. Financial Issues consist of: concern that in addition to the various General Fund cuts working their way through the system, mineral lease funding for FY 2010 will fall; expectation that the mineral lease for FY 2010 will be \$0.5 million below average for the last few years; the need to carry-forward mineral lease revenue to try to soften next fiscal year's low payments; and the need to carry-forward final Exchange Lands payments to wrap-up Snake Valley work. The FY 2010 impacts will be reduced services and FTEs.

MOTION: Rep. Noel motioned the Committee go on record stating it does not support funding taken out of the budget and that it work with the EAC to restore that funding. The motioned passed unanimously with Sen. Goodfellow and Rep. Barrus absent for the vote.

MOTION: Rep. Gibson moved to adjourn the meeting at 4:36 p.m. The motion passed unanimously.

Sen. Dennis Stowell, Co-Chair

Rep. Kerry W. Gibson, Co-Chair

